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# DELNITE MINES, LIMITED

*Annual Report*

For the Fiscal Year Ended December 31st, 1963

# *Delnite Mines, Limited*

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*Incorporated under the Laws of the Province of Ontario*

AUTHORIZED CAPITAL \$2,400,000

#### OFFICERS

WELLES V. MOOT, <i>President and Managing Director</i>	-	BUFFALO, N.Y.
KENNETH C. GRAY, <i>Vice-President</i>	- - - - -	TORONTO, ONT.
WHITWORTH FERGUSON, <i>Vice-President</i>	- - - - -	BUFFALO, N.Y.
WILLIAM S. WALTON, <i>Secretary-Treasurer</i>	- - - - -	TORONTO, ONT.
GEORGE A. VARY, <i>General Manager</i>	- - - - -	TIMMINS, P.O., ONT.

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#### DIRECTORS

WELLES V. MOOT	- - - - -	BUFFALO, N.Y.
KENNETH C. GRAY	- - - - -	TORONTO, ONT.
WHITWORTH FERGUSON	- - - - -	BUFFALO, N.Y.
WILLIAM L. MARCY	- - - - -	BUFFALO, N.Y.
WILLIAM S. WALTON	- - - - -	TORONTO, ONT.
ALEX F. OSBORN	- - - - -	BUFFALO, N.Y.
FREDERICK R. BURTON	- - - - -	TORONTO, ONT.

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#### TRANSFER AGENTS

EASTERN & CHARTERED TRUST COMPANY  
Toronto, Ontario

MANUFACTURERS AND TRADERS TRUST COMPANY  
Buffalo, N.Y.

#### HEAD OFFICE

(on Mine property, Deloro Township)  
TIMMINS, P.O., ONT.

#### AUDITORS

MCDONALD, CURRIE & Co.  
Chartered Accountants  
Toronto, Ontario

#### GENERAL COUNSEL AND SOLICITORS

HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON & PEPALL  
Toronto, Ontario

#### ANNUAL MEETING

JUNE 29, 1964, 12 O'CLOCK NOON (DAYLIGHT SAVING TIME)  
SASKATCHEWAN ROOM, ROYAL YORK HOTEL, TORONTO, ONT.

# *Report of the Directors*

**Financial  
Summary  
1963**

DELNITE MINES, LIMITED		
CURRENT ASSETS — 12/31/63		
Cash, short-term investments — at cost, and bullion .....	\$1,120,563	
Marketable bonds and shares — at cost .....	872,524	
(quoted market value — \$898,537)		
Receivables under The Emergency Gold Mining Assistance Act and other receivables and prepaid insurance and other expenses .....		142,142
Total Current Assets .....		\$2,135,229
STORES AND MATERIALS — at cost .....		137,979
		\$2,273,208
FIXED ASSETS		
Buildings, plant and equipment — at cost .....	\$1,306,628	
Accumulated depreciation .....	1,165,697	
		\$ 140,931
Mining properties — at cost, less amount written off .....	400,000	540,931
		\$2,814,139*
CURRENT LIABILITIES		
Wages, salaries, accounts payable, accrued liabilities and provision for Ontario Mining Tax .....		\$ 222,690
NET CURRENT ASSETS: —		
Current assets plus cost of stores and materials, less current liabilities .....		\$2,050,518
Per share outstanding .....		68.8¢

\* Deferred expenditure and outside exploration costs, etc., omitted.

A year ago in our Annual Report we advised you that "mining operations at Delnite will probably terminate sometime between July and October, 1964". Our General Manager, Mr. Vary, now advises that the ore will be used up and the mine shut down probably about the middle of August this year. Thereafter we expect that a plan of complete liquidation and distribution of assets will be adopted. Under such a plan we expect that not less than 30¢ per share will be distributed, probably during January 1965, and that most of the balance of distribution in liquidation will take place during the remainder of 1965. There will probably be a small balance, which will be held to cover tax and other contingencies and adjustments, and the final and probably rather small distribution will take place when the Charter is surrendered.

The year 1963, as indicated by the audited statement of profits and losses and the Manager's Report, was the best year in the Company's history from the standpoint of operations. For the first time gross value production was over \$2,000,000, and recovery value was the highest ever — \$1,917,685. Net profit for the year was \$314,019 after write off of depreciation and shaft sinking and development costs totalling just over \$60,000. Profit for the year on disposal of investments was \$148,630. During the first three months of this year (1964) it has been very difficult to maintain the ore grade, and as a result net profit (unaudited) for the

## *Report of the Directors continued*

period, including interest and dividends, is \$17,287, and this figure is after depreciation and shaft sinking etc. write offs of approximately \$15,000. We do not expect any large amount to be recovered on the final clean up at Delnite.

After the mine has shut down, we will transfer to Aunor Gold Mines Limited the machinery, equipment, shafts and buildings which they purchased under the agreement with us dated March 29th, 1963, and Delnite will receive the purchase price of \$380,000. Most of the mill machinery and equipment is not worth moving, so that disposition of all remaining assets, including the staff residences, mining claims, and so forth, will probably not add more than a few cents per share to the distribution.

Your Directors plan to hold their shares and receive the distributions and are not speculating as to what those distributions may be.

We take this occasion to express to the shareholders our sincere appreciation for the always loyal support which we have received from them and would point out that to December 31, 1963, the total production recovery value since June 1st, 1937, has been \$31,904,598, and the total of dividends paid to shareholders has been \$1,578,746.51 or 53¢ per share. In addition, in August 1960 the par value of the stock was reduced from \$1.00 to 80¢ per share, and a capital distribution of 20¢ per share, partly in cash and partly in stock of Alminex Limited, was made to shareholders. It thus seems probable now that the 20% capital distribution made in 1960 plus distributions in liquidation to be made, mostly in 1965, will something more than equal the original par value of the stock of \$1.00 per share.

We also wish to take this occasion to acknowledge our indebtedness to our General Manager, Mr. George Vary, and his very competent staff and to the loyal support of our employees, which has made possible such a profitable production under the very difficult operating conditions resulting from exhaustion of the ore bodies as the mine closes down. Over the life of the Delnite mine we have had a fortunate record of very competent management and generally satisfactory employee relationships, which with the unfailing support of shareholders has made service as an Officer and Director of Delnite Mines, Limited an unusually enjoyable and satisfying experience.

On behalf of the Board,

“WELLES V. MOOT”

President and Managing Director.

Dated: May 15th, 1964.

# Manager's Report

April 23, 1964.

The President and Directors,  
Delnite Mines, Limited.

Gentlemen:

The following report covering operations for the fiscal year ending December 31, 1963, is submitted:

## PRODUCTION:

Ore Treated .....		183,901 Tons
Gross Value .....		\$2,031,225
<b>Bullion Recovered:</b>		
Gold — 50,661.425 ozs. @ \$37.75 .....		1,912,392
Silver — 3,838.59 ozs. @ \$ 1.38 .....		5,293
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Total Value .....		\$1,917,685
Value per Ton .....		11.05
Recovery per Ton .....		10.43
Recovery per cent .....		94.41

## Production Since Milling Commenced June 1, 1937

Fiscal Period Ending	Tons Milled	Value Per Ton Milled	Gross Value	Recovery Per Ton	Recovery Value	Average Price Per Ounce
‡ Mar. 31, 1938 .....	57,689	\$ 7.01	\$ 404,484	\$ 6.41	\$ 369,679	\$35.17
Mar. 31, 1939 .....	91,749	8.56	785,064	7.81	716,521	35.21
† Mar. 31, 1940 .....	114,922	7.78	894,641	7.12	818,313	37.04
Dec. 31, 1940 .....	99,342	7.22	716,875	6.70	665,391	38.50
Dec. 31, 1941 .....	166,596	7.65	1,274,895	7.10	1,183,053	38.50
Dec. 31, 1942 .....	172,727	7.53	1,299,701	7.07	1,220,663	38.50
Dec. 31, 1943 .....	125,887	7.15	900,065	6.51	819,672	38.50
Dec. 31, 1944 .....	93,112	6.57	612,086	6.12	570,247	38.50
Dec. 31, 1945 .....	66,120	5.84	386,414	5.49	363,063	38.50
Dec. 31, 1946 .....	92,731	7.09	657,265	6.79	629,375	36.58
Dec. 31, 1947 .....	101,927	10.18	1,037,861	9.81	999,725	35.00
Dec. 31, 1948 .....	124,835	9.94	1,241,401	9.49	1,184,625	35.00
Dec. 31, 1949 .....	149,087	9.88	1,473,370	9.46	1,410,083	36.24
Dec. 31, 1950 .....	153,165	10.20	1,562,097	9.75	1,492,946	37.90
*Dec. 31, 1951 .....	139,278	11.16	1,554,592	10.73	1,493,931	36.89
Dec. 31, 1952 .....	158,794	11.82	1,877,138	11.35	1,802,159	34.17
*Dec. 31, 1953 .....	106,027	10.47	1,109,823	10.03	1,063,087	34.51
*Dec. 31, 1954 .....	144,431	9.45	1,364,982	9.00	1,299,541	34.09
Dec. 31, 1955 .....	158,710	8.90	1,411,684	8.35	1,325,120	34.55
Dec. 31, 1956 .....	166,694	7.85	1,308,751	7.37	1,228,773	34.43
Dec. 31, 1957 .....	155,826	8.24	1,284,013	7.50	1,168,235	33.61
Dec. 31, 1958 .....	181,842	9.06	1,646,731	8.40	1,526,660	33.93
Dec. 31, 1959 .....	182,746	8.71	1,591,629	8.08	1,476,100	33.53
Dec. 31, 1960 .....	184,425	9.34	1,723,235	8.58	1,582,493	34.02
Dec. 31, 1961 .....	183,314	9.95	1,824,358	9.26	1,698,017	35.47
Dec. 31, 1962 .....	181,144	11.03	1,996,980	10.30	1,879,441	37.47
Dec. 31, 1963 .....	183,901	11.05	2,031,225	10.43	1,917,685	37.75

‡ For Ten Months.

† For Nine Months.

\* Due to strikes, there was no production for one month of 1951, four months of 1953 and one and one-half months of 1954.

## *Manager's Report continued*

### Tons of Ore and Waste Hoisted

	Ore	Waste	Total
No. 2 Shaft	183,905	—	183,905
No. 3 Shaft	184,000	1,267	185,267
120,030 Tons of backfill were placed in Stopes (90,923 Tons Purchased).			

### BROKEN ORE RESERVES:

Broken ore reserves are estimated at 8,659 tons.

### DEVELOPMENT AND EXPLORATION:

		For Year Ending Dec. 31st	Total
		1963	To Date
Drifts	Feet	231	91,249
Crosscuts	Feet	—	46,887
Sub-level Drifts	Feet	1,609	22,548
Raises	Feet	2,644	45,020
Shaft Sinking	Feet	—	5,928
Stations	Feet	—	1,651
Ore and Waste Passes	Feet	—	14,527
		—	—
		4,484	227,810
Pump Stations	Cu. Feet	—	3,778
Sumps	Cu. Feet	—	50,754
Diamond Drilling	Feet	4,346	443,754

### COSTS:

#### Operating Costs (before Cost-Aid):

	Total Costs	Cost Per Ton Milled		Cost Per Fine Oz. Gold Produced Year Ending December 31st	
		Year Ending December 31st			
		1963	1962		
Development and Exploration	\$ 12,265	\$ .07	\$ .46	\$ .24	
Mining	1,302,413	7.08	6.75	25.71	
Milling	307,033	1.67	1.66	6.06	
General Mine Charges after deducting					
Sundry Revenue	182,635	.99	1.22	3.61	
Administrative Expense (Partly Mine)	55,934	.30	.32	1.10	
Bullion Marketing Expense, including Mint Handling and Refining Charges	12,631	.07	.07	.25	
	<u>\$1,872,911</u>	<u>\$ 10.18</u>	<u>\$ 10.48</u>	<u>\$ 36.97</u>	

#### Other Costs:

Depreciation	\$ 15,289	\$ .08	\$ .09	\$ .30
Shaft Sinking and Development Write-Off	44,793	.25	.20	.88
Provision for Ontario Mining Taxes	18,155	.10	.09	.36
Outside Exploration	27,375	.15	.01	.54
	<u>\$ 105,612</u>	<u>\$ .58</u>	<u>\$ .39</u>	<u>\$ 2.08</u>
Total Costs	<u>\$1,978,523</u>	<u>\$ 10.76</u>	<u>\$ 10.87</u>	<u>\$ 39.05</u>

## **ADDITIONS TO PLANT BUILDINGS AND EQUIPMENT:**

There were no additions to plant buildings.

Additions to equipment cost \$2,942. The major items were two oil furnaces, two electric Syntron feeders, two underground pumps, and three electric motors.

## **DEVELOPMENT:**

A total of 231 feet of drifting on the bottom five levels of the mine developed 58 feet of ore. Sub-drifting from stopes and box-holes developed an additional 142 feet of ore.

## **MINING:**

Stoping was done on nine levels, all of which were in the #3 shaft area.

By the year end 65 percent of the ore reserves were concentrated on the three levels below the 4875 horizon.

## **MILLING:**

The mill operated continuously throughout the year at an average daily rate of 504 tons as compared with 496 tons for the operating period in 1962.

Extraction improved slightly to 94.4%.

## **GENERAL:**

Due to exhaustion of the ore reserve, the mine will close this year, and it is expected that the last ore will be hoisted about the middle of August, 1964.

I wish to take this opportunity to express my appreciation for your guidance and co-operation and to thank the supervisors and their staffs for their continued endeavour and loyalty.

Respectfully submitted,

G. A. VARY,  
General Manager.

# Balance Sheet as at

## ASSETS

### CURRENT ASSETS:

Cash		\$ 388,823
Short-term investments — at cost		599,599
Bullion		132,141
Marketable bonds and shares — at cost (quoted market value \$898,537)		872,524
Accounts and interest receivable		7,982
Receivable under The Emergency Gold Mining Assistance Act		124,558
Prepaid insurance and other expenses		9,602
		<u>\$2,135,229</u>
STORES AND MATERIALS — at cost		137,979

### FIXED ASSETS (Note 1):

Buildings, plant and equipment — at cost		1,306,628
Accumulated depreciation		1,165,697
		<u>140,931</u>
Mining properties — at cost, less amount written off		400,000
		<u>540,931</u>

### DEFERRED EXPENDITURE:

Shaft sinking and development costs (Note 1)		451,114
Amounts written off		424,989
		<u>26,125</u>
Outside exploration costs and shares of mining companies — at cost, less amounts written off		4
		<u>26,129</u>
		<u><u>\$2,840,268</u></u>

The accompanying notes are an integral part of this

### AUDITORS' REPORT

We have examined the balance sheet of Delnite Mines, Limited as at December 31, 1963 and the statements of profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto,  
April 16, 1964.

*December 31, 1963*

LIABILITIES

CURRENT LIABILITIES:

Salaries and wages	\$ 28,568
Accounts payable and accrued liabilities	175,482
Provision for Ontario mining tax	18,640 \$ 222,690

CAPITAL STOCK AND SURPLUS:

Capital stock —	
Authorized —	
3,000,000 shares of a par value of \$.80 each	<u>\$2,400,000</u>
Issued and fully paid —	
2,978,767 shares	2,383,013
Discount thereon (Net)	1,151,956
	<u>1,231,057</u>
Earned surplus	1,386,521 2,617,578

Approved on behalf of the Board:

"WELLES V. MOOT" Director.

"W. S. WALTON" Director.

\$2,840,268

statement and should be read in conjunction therewith.

TO THE SHAREHOLDERS

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of the company as at December 31, 1963 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,  
Chartered Accountants.

*Statement of Earned Surplus*  
FOR THE YEAR ENDED DECEMBER 31, 1963

BALANCE — DECEMBER 31, 1962		\$1,655,078
<i>Add:</i>		
Net profit for the year	\$ 314,019	
Profit on disposal of investments	148,630	462,649
		2,117,727
<i>Less:</i>		
Adjustment of 1962 Emergency Gold Mining Assistance	30,491	
Write-down of mining property	700,715	731,206
BALANCE — DECEMBER 31, 1963		\$1,386,521

*Statement of Profit and Loss*  
FOR THE YEAR ENDED DECEMBER 31, 1963

BULLION PRODUCTION		\$1,917,685
EXPENDITURE:		
Development, mining, milling, marketing, maintenance, general and administrative (including directors' fees \$4,000)	\$1,872,911	
Depreciation of buildings, plant and equipment	15,289	
Shaft sinking and development costs written off	44,793	
		1,932,993
LESS: Estimated amount recoverable under The Emergency Gold Mining Assistance Act	335,000	1,597,993
PROFIT BEFORE THE FOLLOWING ITEMS		319,692
OUTSIDE MINING EXPLORATION COSTS WRITTEN OFF		27,375
		292,317
OTHER INCOME:		
Interest and dividends		39,857
		332,174
PROVISION FOR ONTARIO MINING TAX (Note 2)		18,155
NET PROFIT FOR THE YEAR		\$ 314,019

The accompanying notes are an integral part of this statement and should be read in conjunction therewith.

**NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 1963**

- Under the terms of an agreement dated March 29, 1963, the company agreed to sell to Aunor Gold Mines Limited upon cessation of the company's mining operations, certain shafts, haulage ways, head-frame, mine compressors and buildings at a purchase price of \$380,000 if the sale takes place before January 1, 1966 or \$400,000 if the sale takes place after December 31, 1965.
- Because of exemptions and deductions permitted for tax purposes, it is estimated that there is no liability for income taxes for the year, except for Ontario mining tax.

**BREAKDOWN OF SUPPLIES AND SERVICES  
PURCHASED DURING 1963**

Air Operated Equipment and Parts	\$ 25,502
Backfill	53,239
Building Products	3,375
Coal	6,351
Diamond Drilling	6,028
Drilling Bits, Steel, etc.	63,323
Electrical Equipment and Supplies	7,254
Explosives	62,108
Freight and Express, Rail and Truck Transport	6,686
Insurance	5,975
Iron and Steel Products	105,631
Lumber, Timber and Preservatives	52,356
Mine Locomotives, Car Parts, Batteries and Charging Equipment	9,039
Mine and Mill Tools, and Machinery	30,720
Miscellaneous	39,144
Petroleum Products	12,423
Power	93,947
Reagents, Acids, Chemicals and Refractories	66,205
Rubber Products	9,395
Safety Equipment and Supplies	11,165
Truck and Other Vehicles	2,005
	<hr/>
	<u>\$ 671,871</u>

**PRINCIPAL CANADIAN CITIES AND TOWNS WHICH BENEFIT:**

Brantford, Burlington, Galt, Haileybury, Hamilton, Joliette, Kirkland Lake, Kitchener, Lachine, Leaside, London, Montreal, New Liskeard, Noranda, North Bay, Oakville, Orillia, Ottawa, Owen Sound, Peterborough, Rexdale, St. Catharines, St. Johns, Sault Ste. Marie, Schumacher, Sorel, South Porcupine, Sudbury, Swastika, Timmins, Toronto, Waterloo.

**NUMBER OF COMPANIES AND INDIVIDUALS (WITH GEOGRAPHICAL  
LOCATION) FROM WHOM SUPPLIES OR SERVICES PURCHASED:**

Ontario	175
Quebec	10

